The Mises Review

VOLUME 4 NUMBER 2 SUMMER 1998

MISES ON WAR AND CONSCRIPTION

Interventionism: An Economic Analysis

Ludwig von Mises; Bettina Bien Greaves, ed.
Foundation for Economic Education, 1998, xiv + 98 pgs.

Interventionism, though written nearly sixty years ago and published now for the first time, expertly dispatches a scheme popular with a few contemporary conservatives. In the view of these professed nationalists, the free market is not good enough. Foreign trade threatens the jobs of American workers. For the good of the nation, tariffs must rise.

But does not elementary economic analysis show the fallacy of trade restrictions? What of the international division of labor? Our new protectionists are not ignorant of economics; but, they aver, economic arguments must take second place to the national interest. If a nationalist explicitly places his ideological convictions above market prosperity, what can be said against him?

Mises offers a ready response. At the time he wrote this short book, arguments of the type just canvassed were

A Quarterly Review of Books, by David Gordon

Deconstructing Rorty
RICHARD RORTY
Achieving Our Country: Leftist Thought in 20th-Century America 5

The Open Conspiracy
RICHARD N. HAASS
The Reluctant Sheriff: The United States After the Cold War 9

Single-Issue Scholarship
CHARLES W. MILLS
The Racial Contract 12

Unwitting Racial Heretic
ORLANDO PATTERSON
The Ordeal of Integration: Progress and Resentment in America's "Racial" Crisis 16

The Rothbardian Turn of Mind
MURRAY N. ROTHBARD
The Logic of Action 20

The Left's Favorite Killer
DAVID GELERNTER
Drawing Life: Surviving the Unabomber 24

Austrian Influence
PAUL JOHNSON
A History of the American People 25

Did Hayek Write His Last Book?
JEFFREY FRIEDMAN
"What's Wrong with Libertarianism" 26

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very much the order of the day. Nationalist nostrums roused great interest among conservatives in the 1930s and 1940s. Mises was thus thoroughly familiar with the "higher" non-economic argument for protection.

In response, Mises makes a vital distinction. Tariffs, and similar measures designed to strengthen the nation, "should not be considered as measures of production policy." They aid some citizens at the expense of others; they do not help the economy as a whole. "One might differ as to the advisability of protecting the Prussian Junkers by a tariff on grain imports against the competition of the Canadian farmers who are producing on more fertile soil. But if we advocate a tariff to protect Prussian grain producers, we are not recommending a measure in favor of the production of the supply of grain, but a measure designed to assist the owners of German land at the expense of the German grain consumers. It will never be possible to base an economic system on such assistance privileges" (p. 20).

Mises here completely explodes the nationalist argument for protective tariffs.

Mises here completely explodes the nationalist argument for protective tariffs. Since these measures do not benefit the totality of the nation, they cannot be unambiguously endorsed from a nationalist point of view. Commitment to free trade, then, need not rest on utopian commitment to internationalism, as some suppose. Given the goal of nationalism, protection does not follow.

But does not the tariff supporter have here a counter to deploy against Mises? He may grant Mises's point: a tariff will benefit some citizens at the expense of others. Nevertheless, he may say, the national interest dictates that the tariff be instituted. Aid to certain groups, it may be contended, *is* in the national interest.

Mises appears to concede something to this rejoinder, but his concession does the protectionist little good. "Whether such an expenditure is justified or not is of no concern for economic evaluation.... There are undoubtedly cases in which restrictive measures appear justified to most or all of our citizens. But all restrictive measures are fundamentally expenditures. They diminish the supply

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of productive means available for the supply of other goods" (p. 20).

Mises's "admission" is in fact a devastating counterargument. Tariffs are *never* defended by their proponents on the grounds that they privilege some at the expense of others within a nation. Quite the contrary, they are alleged to benefit the nation at the expense of foreigners. Absent an account of the national interest with explicit arguments that justify largesse for special interests, the nationalist defense for tariffs fails utterly.

The case Mises advances against tariffs illustrates the book's dominant theme, one that all readers of Mises will meet as a familiar friend. The proposals advanced by interventionists fail to achieve the goals their advocates have in mind for them, and they thus stand self-condemned. As an example, an "attempt by government forcibly to give the national credit money or paper money a value higher than its market price causes effects which Gresham's Law describes. A condition results which generally is called a shortage of foreign exchange" (p. 44).

Should the government attempt to remedy its intervention by further interference, disaster soon impends. The new measure will also fail to achieve the goals of its supporters. Again, the interventionists must confront the basic choice: more intervention or return to the free market. Should the former course entice them on, the result will soon be full-scale socialism. Mises concludes that no third system exists intermediate between the free market and socialism.

Since so many refuse to learn its lesson, Mises's argument against interventionism merits continual repetition. But the details of Mises's case have been often presented in his other works; and

Interventionists must confront the basic choice: more intervention or return to the free market.

Sanford Ikeda, in an interesting work that I have reviewed in an earlier issue of this journal, has gone over the whole argument at length. An unkind reader of *The Mises Review* (if such exists) might inquire: must we have this argument repeated once more?

There is justice in this imagined complaint (not, of course, distributive justice, for there is no such thing). With this in mind, let us then turn to a topic that I have found nowhere else in Mises: his analysis of how a free society should wage war.

For one thing, conscription is out. The use of compulsion to man the military characteristically does not stand by itself. Rather it has formed part of an interventionist scheme to subject the economy to control. As such, it must be rejected for the reason earlier stated: interventionism cannot endure as a stable system.

Mises states the essential point in this way: "The first step which led from the

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soldiers' war back to total war was the introduction of compulsory military service.... The war was no longer to be only a matter of mercenaries—it was to include everyone who had the necessary physical ability.... But when it is realized that a part of the able-bodied must be used on the industrial front...then there is no reason to differentiate in compulsory service between the able-bodied and the physically unfit. Compulsory military service thus leads to compulsory labor service of all citizens who are able to work, male and female" (p. 69).

But what is the alternative to total war with total state control? Mises's response will surprise no one: he favors reliance on the free market. To support his view that a market economy can effectively wage modern war, Mises advances a surprising claim about the early part of World War II.

He ascribes the fall of France to anti-capitalist views. Because of campaigns in the 1930s against "war profiteering," the French (and to a lesser extent the British) refused to rely on the market to provide them with the arms they needed to withstand the German onslaught. "On the basis of such [anti-capitalist] reasoning the [Léon] Blum government nationalized the French armament industry. When the war broke out and it became imperative to place the productive power of all French plants into the service of the rearmament effort, the French authorities considered it more important to block war profits than to win the war" (p. 72).

Mises's contention is at once exposed to an obvious objection; but he knows this full well and has his counter ready. The German army in 1940 ranked second-to-none as a fighting force; yet it was hardly a free-market army in the style favored by Mises.

But Mises does not deny this. On the contrary, he acknowledges that the "German army has an enormous superiority in every type of equipment that a fighting army requires" (p. 71). Mises's contention is that, given German power, interventionism and anti-capitalism are paltry and insufficient responses. Only capitalism, not half-hearted socialism, can defeat a total state.

Only capitalism, not half-hearted socialism, can defeat a total state.

We may readily grant Mises's point that a hampered market economy is a poor bet during wartime. But how does Mises know that an arms procurement policy of the sort he wants would have led to French victory in 1940? Does he not go too far in this self-confident judgment?

No doubt Mises has not proved his case: his suggestion is merely that of a well-informed contemporary observer. But his contention provides us with a stimulating hypothesis for future research. What was the effect of French restrictionist policies on armaments production during the

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1930s? Here is a question that cries out for historical research. And we have Mises's unique combination of mastery of economics with historical insight to thank for it. Though written in 1940, this book is essential reading for all Misesians. ◗

DECONSTRUCTING RORTY

Achieving Our Country: Leftist Thought in Twentieth-Century America

Richard Rorty
Harvard University Press, 1998, 159 pgs.

Richard Rorty is a distinguished analytic philosopher, but you would never know it from this vulgar screed. Our author makes clear the basic assumptions of "infantile leftism," in Lenin's phrase, in a way that hardly stops short of self-parody.

The foundation for a sound American politics, Rorty claims, is atheism. Even non-religious readers will gasp in astonishment at Rorty's assertion: is not freedom of religion guaranteed by the First Amendment? How then can Rorty wish to rest American politics on a sectarian view of religion, one moreover abhorrent to the vast majority of Americans?

For Rorty, the answer to our queries lies in the thought of two of his heroes: Walt Whitman and John Dewey. These two febrile intellectuals realized that politics must rest on vision. Absent popular enthusiasm, we shall lack the will required to implement leftist reforms, in the face of reactionary opposition from the "haves." And to attain the required dose of zeal, Americans must abandon belief in a "higher" realm beyond the political.

"Whitman and Dewey were among the prophets of this [American] civic religion. They offered a new account of what America was, in the hope of mobilizing Americans as political agents. The most striking feature of their redescription of our country is its thoroughgoing secularism.... Dewey and Whitman wanted Americans to continue to think of themselves as exceptional, but both wanted to drop any reference to divine favor or wrath" (p. 15).

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Suppose that Rorty is right—and he may well be—that enthusiasm for his pet political crusades comports better with secularism than with religion. Does not Rorty face a formidable task? He must now show that secularism is correct. What new arguments will our latter-day Hume deploy against those who seek solace in the eternal?

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But to await atheistical arguments from Rorty is completely to misunderstand his project. The request for arguments showing the falsity of religion rests on an assumption—there is truth to be had about religion, apart from what people believe.

If ordinary, factual truth is out, you can imagine what happens to ethics.

But surely, you may think, this "assumption" is too banal to be worth stating. Is it not a matter of fact whether God exists, just as it is a matter of fact, not up to us, whether neutrinos or Julius Caesar exists? What could be more obvious?

If you think so, I fear that you are not an apt candidate for initiation into the mysteries of postmodernism. Rorty *denies* that there is a matter of fact about God, or, so far as I can tell, anything else. There is no sense in asking for "the way the world is" independent of human decisions.

Thus, he writes: "Antiauthoritarianism is the motive behind Dewey's opposition to Platonic and theocentric metaphysics, and behind his more original and far more controversial opposition to the correspondence theory of truth: the idea that truth is a matter of accurate representation of an antecedently existing reality. For Dewey, the idea that there was a reality 'out there' with an intrinsic nature to be respected and corresponded to...was a relic of Platonic other-worldliness" (p. 29).

Here precisely is where our author nears self-parody. Can he really expect us to take seriously the notion that we decide, rather than find out, e.g., whether the New Deal led to prosperity? If you are so benighted as to believe in God, why need this entail commitment to Platonism? By the way, how do Dewey and Rorty know that Plato's philosophy is false? They offer no arguments, but merely sneer at the aristocratic, "spectatorial" point of view which they allege Platonism embodies. Does Rorty regard his own account of truth as true, in some other sense than as a doctrine that appeals to him? You must not ask such things: to do so marks you as not an up-to-date pragmatist.

If ordinary, factual truth is out, you can imagine what happens to ethics. "The trouble with Europe, Whitman and Dewey thought, was that it tried too hard for knowledge: it tried to find an answer to the question of what human beings should be like" (p. 23). Again, ethical truth is a matter for decision, not apprehension. Oddly, he thinks that John Stuart Mill favored this view; in support, Rorty appeals to Mill's stress on the need for diverse experiments in living. But Mill thought these desirable because they led to truth about what really does promote happiness. Rorty has forgotten, one hopes temporarily, that Mill professed utilitarianism of a firmly cognitivist sort.

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October 16–17, 1998
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Suppose we grant Rorty his free-wheeling view: ethics depends entirely on human decisions. What happens when people disagree? Our author is quick to provide an answer: "Insofar as human beings do not share the same needs, they may disagree about what is objectively the case. But the resolution of such disagreement cannot be an appeal to the way reality, apart from any human need, really is. The resolution can only be political: one must use democratic institutions and procedures to conciliate these various needs, and thereby widen the range of consensus about how things are" (p. 35). And what if you prefer *not* to widen the range of consensus, but rather to impose your will on those who do not share your insights? Is that not a decision also?

After clearing the decks of truth, in matters of fact and ethics, what is it that Rorty wishes to do? What are the wondrous political projects that followers of Whitman and Dewey must undertake? Our author has surprisingly little to offer in response. On one matter, however, he is clear: leftists must unite against horrid reactionaries. In an incredible passage, he tells us: "A hundred years from now, Howe and Galbraith, Harrington and Schlesinger, Wilson and Debs, Jane Addams and Angela Davis...will all be remembered for having advanced the cause of social justice. They will all be seen as having been 'on the Left.' The difference between these people and men like Calvin Coolidge, Irving Babbitt, T.S. Eliot, Robert Taft, and William Buckley will be far clearer than any of the quarrels which once divided them among themselves. Whatever mistakes they made, these people will deserve, as Coolidge and Buckley never will, the praise with which Jonathan Swift ended his own epitaph: 'Imitate him if you can; he served human liberty'" (p. 45).

When I read these lines, I was tempted, in spite of Wittgenstein's dictum, to examine another copy of *Achieving Our Country* to see whether Rorty really wrote this imbecilic passage. May I ask my readers

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to have another look at the quotation? What Rorty is saying is that Angela Davis—a longtime member of the Communist Party, U.S.A., and once tried as an accessory to murder—is to be preferred as someone who served human liberty, to one of the greatest poets of our century. (In fairness to Miss Davis, I should add that she was acquitted, in a O.J. Simpson-style verdict, of smuggling guns to her boyfriend at Soledad. Ah, these servants of liberty have a way about them!)

Given this display of Rorty's large-minded humanism, it is perhaps fortunate that he does not favor us with a detailed account of his plans. But he does let us in on a few details. Surprisingly, the cultural left does not win Rorty's complete approval.

True enough, he says, we owe the cultural left a great deal. "The tone in which educated men talk about women, and educated whites about blacks, is very different from what it was before the Sixties. Life for homosexual Americans, beleaguered and dangerous as it still is, [!], is better than it was before Stonewall.... This change is largely due to the hundreds of thousands of teachers who have done their best to make their students understand the humiliation which previous generations of Americans have inflicted on their fellow citizens...by assigning stories about the suicide of gay teenagers in freshman composition courses, these teachers have made it harder for their students to be sadistic than it was for those students' parents" (p. 81).

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By now, readers will be accustomed to Rorty's technique. He offers no discussion of what policies toward minorities are ethically appropriate. The quest for criteria of proper treatment is of course futile—what is important is what "we leftists" find pleasing. Hence the crucial importance for Rorty of language reform: if we redescribe something, we have by that very fact changed it. No underlying reality apart from linguistic practice will sully our fantasies.

Given this aestheticized approach to politics, it is ironic that, in a *volte-face*, Rorty indicts the cultural left for ignorance of the real world of politics and economics. In their stress on cultural studies, postmodern leftists ignore the importance of labor unions. Oh, for the glory days of the Wagner Act! "When the Taft–Hartley Labor Act was passed in 1947 I could not understand how my

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country could have forgotten what it owed the unions, how it could fail to see that the unions had prevented America from becoming the property of the rich and greedy" (p. 60). One can only echo the medieval scholastics: *puerilia sunt haec.*

THE OPEN CONSPIRACY

The Reluctant Sheriff: The United States After the Cold War

Richard N. Haass
Council on Foreign Relations, 1997, 148 pgs.

You don't have to be a believer in the conspiracy theory of history to feel suspicious about the provenance of Mr. Haass's book. Its publisher is the Council on Foreign Relations, long familiar to "right-wing extremists" as the center of the foreign policy establishment. The thought of a foreign crisis unmeddled in by the United States is enough to induce palpitations in the heart of a CFR member. Those sympathetic to our traditional policy of noninvolvement will fear the worst, and they will not be disappointed.

Before turning to the substance of our author's argument, I note with interest that he lends support to the alarmism about the CFR of the aforesaid extremists. During the Cold War, the foreign policy panjandrums painted the Council as an impartial source of enlightenment. Mr. Haass tells a different story: "In the wake of World War II, there were few institutions and few publications devoted to international affairs. The Council on Foreign Relations and its quarterly *Foreign Affairs* were dominant. Three networks and a handful of newspapers shaped elite opinion" (p. 16). Dan Smoot could not have put it more succinctly.

To turn from the CFR to Mr. Haass's main thesis, our author reacted to the end of the Cold War in an unexpected way. The end of worldwide conflict with the Kremlin, with nuclear brinkmanship a constant threat, was to most Americans an occasion for joy. Not so Haass.

Those sympathetic to our traditional policy of noninvolvement will fear the worst, and they will not be disappointed.

Under conditions of superpower rivalry, the world may have been a dangerous place. But it was regulated: other nations had to conform to the rules, both formal and informal, of the two superpowers: "We have moved from a highly structured world dominated by two or at most a few to a less structured world of

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the many. New technologies have emerged and spread in the process transforming political, economic, and military relationships. The effects of the change are anything but uniform.... The result is a world that may well be safer, in that the chances of cataclysmic conflict

To someone with Mr. Haass's cast of mind, a world not under control generates foreboding.

are arguably less, but also a world that is less stable, where smaller but still highly destructive conflicts within, between, and among states are more common than before" (p. 25).

To someone with Mr. Haass's cast of mind, a world not under control generates foreboding. People of his sort do not find appealing the thought that the world is a very big place, too large for the United States to control, even in conjunction with a group of associated lesser powers.

Our author has at least the virtue that his interventionist prescriptions rest on more than an itch to regulate. He directs several arguments against isolationism or "minimalism," which I shall endeavor to assess.

Haass recognizes the force of one key isolationist contention: in a period of reduced threat, we need not be so anxious as during the Cold War to extend ourselves overseas. "We no longer live in a world in which a rival possesses missiles aimed at us with the capacity to destroy us in an instant. Nor is the United States engaged any longer in a global struggle for influence or advantage" (p. 56). Is this not a time when we can avoid costly commitment abroad? (The thought that "minimalism" ought to have been followed even during the Cold War era is for Haass unworthy of discussion.)

Mr. Haass replies to the isolationist point with straightforward denial. Threats to the United States still abound: "there are still potential problems in the world—crises in the Persian Gulf or northeast Asia, a breakdown of trade, a renewed Russian threat to Europe, a Chinese bid for regional hegemony, the proliferation of weapons of mass destruction, terrorist attacks, and so on—that could directly and dramatically affect U.S. well-being at home" (p. 56).

Mr. Haass's ability to conjure up potential threats commands our admiration, but I cannot think he has met the isolationist's point. That point, to reiterate, is that a direct threat by a superpower to the United States constitutes a much stronger reason for an interventionist policy than a plethora of potential threats. Why not deal with these latter dangers if and when they arise, instead of engaging in the Herculean task of containing them all at once?

Our author has in part anticipated this response. To the argument "that we can

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do little about the state of the world," he answers: "The problem with this perspective is that it ignores what we can usefully do. U.S. diplomacy alone cannot bring peace to the Middle East, but it can facilitate the process. U.S. arms can deter conflict in the Persian Gulf and the Korean peninsula and protect U.S. interests and restore stability if deterrence fails" (p. 57).

Clearly, Mr. Haass has failed to grasp the full nature of the isolationist contention. To the point that absent a direct threat to the United States, there is insufficient reason to intervene abroad, it is idle to reiterate that the United States *can* intervene, and to good purpose. How does this go any way toward showing that we *should* intervene? Further, it does not follow from the United States' ability to cope with one crisis that it can cope with all potential crises at once. To imagine otherwise involves a fallacy of composition.

For Haass, we have not yet reached the most important isolationist argument. In my view, he holds, mistakingly, that the "theme most central to the minimalist, or neo-isolationist, perspective...is the economics: the cost of our national security effort—defense, intelligence, assistance, diplomacy, and so on—is one we can ill afford" (p. 57).

I venture to suggest that Mr. Haass's rejoinder will not carry conviction with most readers of *The Mises Review*. Although he grants that the United States spends a considerable sum, about $300 billion a year, on national security, he solemnly informs us that it really does not matter. "Spending on national security now comes to under 4 percent of GNP" (p. 58). Why should we scruple to spend this; do we not spend an equal amount on Medicare?

A direct threat by a superpower to the United States constitutes a much stronger reason for an interventionist policy than a plethora of potential threats.

Further, "what good would it do if people at home had more money? Many of them [domestic problems] are not the result of lack of resources. It is doubtful that what most ails us at home—crime, illegitimacy, drug use, divorce, racism and the like—would be fixed by further drawing down resources devoted to our presence abroad and shifting them to domestic purposes. It is even possible to argue that in some cases—welfare comes to mind—resources have exacerbated social problems" (p. 59).

Mr. Haass's last sentence is insightful: spending on welfare programs has indeed worsened the problems it was

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designed to end. Unfortunately, he does not carry forward his insight to make the elementary point that suffices to overturn his argument. The goal of a reduction in defense spending is of course not to make funds available to the government for domestic spending, but to enable people to retain more of their own money to spend, save, or invest as they please. This, I fear, is more than is dreamed of by any good member of the CFR.

Our author has yet one more argument against noninterventionism, and this is I think his most substantial. What if failure to intervene now leads to more costly intervention later? "Neglect will prove to be malign" (p. 59). The reluctance of the United States to deter aggression may make attacks more likely; and we may find that when intervention is at last unavoidable, it is more costly than it need have been.

I do not think that there is an *a priori* refutation of this line of reasoning. Perhaps events will happen exactly as Mr. Haass surmises; but what reason is there to think so? Against his conjectures must be set the sure costs of intervention now. And, as Eric Nordlinger has cogently argued in *Isolationism Reconfigured*, does not a firm commitment to nonintervention, known to all nations, make aggression against the United States far less likely? The alleged need to counter aggression wherever it may occur, as urged by our author, is a twice-told tale that does not improve in his revival of it.

I have thought it more useful to discuss Mr. Haass's criticisms of isolationism than to describe at length his own prescriptions for foreign policy. As will come as no surprise, he is an interventionist; but the United States ought not to act unilaterally. Instead, we should avail ourselves of the help of shifting coalitions, as the crisis at hand may dictate. In pursuit of multilateralism, foreign aid should play an important part. True, some may object that foreign aid is wasteful, "but we are talking about a small amount of money by federal government standards" (p. 110). No doubt.

SINGLE-ISSUE SCHOLARSHIP

The Racial Contract

Charles W. Mills
Cornell University Press, 1997, 171 pgs.

Charles W. Mills has, by his own estimation, located a crucial gap in Western political and ethical theory from the Enlightenment to Rawls and Nozick. As Mills rightly says, the social contract dominates modern Western thought. But the contract, as described by Hobbes, Locke, Rousseau, and Kant, leaves out a crucial component of the way society actually operates.

Readers who have attended to the title of Mr. Mills's book will have no difficulty

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in surmising the nature of the omission our author has discovered. The major theorists do not mention blacks and other persons of color in their account of the social contract. In so doing, they occlude the mainspring of modern European history, white exploitation of those of darker hue.

I lack both the space and the stomach to go over at length our author's analysis of modern moral philosophy. A few examples must suffice. John Locke, we learn, "defends slavery [in the *Second Treatise*] resulting from a just war, for example, a defensive war against aggression. This would hardly be an accurate characterization of European raiding parties seeking African slaves, and in any case, in the same chapter Locke explicitly opposes hereditary slavery and the enslavement of wives and children. Yet Locke had investments in the slave trading Royal Africa Company.... So one could argue that the Racial Contract manifests itself here in an astonishing inconsistency, which could be resolved by the supposition that Locke saw blacks as not fully human and thus as subject to a different set of moral rules" (p.68).

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Mr. Mills can plunge to depths that even our second-hand John Dewey cannot fathom.

Richard Rorty should be grateful for this passage and others like it in Mr. Mills's book. Were it not for them, Professor Rorty's *Achieving Our Country* would be the worst book on politics written by a contemporary philosopher. But as the foregoing extended quotation amply shows, Mr. Mills can plunge to depths that even our second-hand John Dewey cannot fathom.

Let us, if you will, look at the "logic" of Mr. Mills's remarks. Locke opposed hereditary slavery. Therefore, he regards blacks as subhuman, since otherwise he could not consistently support black slavery. Did it ever occur to our author that it might be worth looking at the possibility that Locke did *not* think hereditary slavery of blacks morally justifiable?

But suppose that Mills is right: Locke, we assume, and all the other founders of the social contract, thought blacks subhuman. In thinking this, they colluded in the establishment of the racial contract, an agreement among whites to exploit blacks. No doubt if a racial contract of the type Mills adumbrates exists, whites

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have much to answer for; but what has all this to do with the social contract?

As Hobbes, Locke, and Kant employed the social contract, it was a device to help them answer the questions: What political arrangements are morally justified? What, if any, natural rights do people have that limit the power of the state? These questions arise whether or not whites exploit blacks. No doubt, to reiterate, they should not do so: but regardless of the actual state of affairs, the question of what ought to be the case arises. Aristotle's discussion of the virtuous man in *The Nicomachean Ethics* is invalidated neither by the existence of Greek slavery nor by Aristotle's relative lack of attention to this social phenomenon; and an analogous point applies to the thinkers our author considers.

To Mr. Mills's suggestion of a "racial contract," then we can reply, with Morris R. Cohen, "even if you were right, so what?" But I must not allow my contempt for our author to do him an injustice. He has in part anticipated the objection just raised.

As he sees matters, the social contract was intended not only as an account of how matters ought to be, but also of how the state might plausibly be seen to have arisen. Only when the realities of black exploitation could no longer be ignored did political philosophers abandon the pretense of giving an account of the hypothetical genesis of society and the state.

As Mills explains, "[t]he great virtue of traditional social contract theory was that it provided seemingly straightforward answers both to factual questions about the origins and working of society and

What, if any, natural rights do people have that limit the power of the state?

government and to normative questions about the justification of socioeconomic structures and political institutions. Moreover, the contract was very versatile.... From its 1650–1800 heyday as a grand quasi-anthropological account of the origins and development of society and the state, the contract has now become just a normative tool, a conceptual device to elicit our intuitions about justice" (pp. 4–5).

To the extent that Mr. Mills's remarks respond to the objection I raised, they fail. Even if we take the social contract to be in part conjectural history, it still does not follow that the contract theorists erred in ignoring the alleged racial contract. Again, the question seems very much worth asking: how might a group of people (whether or not engaged in organized racial exploitation) have formed a state? The fact that an inquiry abstracts from a certain phenomenon does not render it useless. And Mills has also not shown that there is anything

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amiss in the later shift to an entirely normative framework.

Mills on Locke, I hope to have shown, is not a topic worth extended pursuit. Nor does the situation improve when our author favors other philosophers with his attention. Contrary to widespread belief, Rousseau was no real egalitarian. True, he praises the noble savage. But the "only natural savages cited are *nonwhite* savages, examples of European savages being restricted to reports of feral children raised by wolves and bears...even if some of Rousseau's nonwhite savages are 'noble'...they are still *savages*.... So the praise for nonwhite savages is a limited paternalistic praise, tantamount to admiration for healthy animals, in no way to be taken to imply their equality, let alone their superiority to the civilized Europeans of the ideal polity. The underlying racial dichotomization of civilized and savage remains quite clear" (pp. 68–69).

Oh, it does, does it? Mills's mighty mind has not considered the possibility that Rousseau does not cite European savages because he had no accounts of them available to him. Mills offers not the slightest evidence that Rousseau considered whites racially superior to blacks. And he ignores the extended critical dispute on whether the precontract state is superior to the social contract. Had Mills consulted Irving Babbitt's *Rousseau and Romanticism*, he would have seen that his assertion of Rousseau's paternalism toward the savage is dubious in the extreme.

No, I am sorry to disappoint you: things do not improve when Mr. Mills reaches

Contrary to widespread belief, Rousseau was no real egalitarian.

contemporary moral philosophy. He writes: "So John Rawls...writes a book on justice widely credited with reviving postwar political philosophy in which not a single reference to American slavery and its legacy can be found, and Robert Nozick creates a theory of justice in holdings...without more than two or three sentences acknowledging the utter divergence of U.S. history from this ideal" (p. 77).

Our author omits to note that Rawls's work after *A Theory of Justice* has been extensively influenced by Orlando Patterson's *Slavery and Social Death*. Rawls is quite aware of black slavery, as Mr. Mills would have found out had he bothered to read him. And Nozick in *Anarchy, State, and Utopia* seems sympathetic to reparations for American blacks (one of many reasons we should prefer Murray N. Rothbard's *The Ethics of Liberty*). In any case, an analogous point about the irrelevance of the racial contract to that raised in the discussion of Mills on Locke of course applies here.

In his acknowledgments, Mr. Mills tells us that he is "a beneficiary of affirmative action" (p. xi). I am glad to give this assertion my enthusiastic assent.

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Unwitting Racial Heretic

The Ordeal of Integration: Progress and Resentment in America's "Racial" Crisis

Orlando Patterson
Cities/Counterpoint, 1997, 233 pgs.

Orlando Patterson, a Jamaican sociologist now teaching at Harvard, does not like being termed a conservative for his views on black-white relations in the United States. "I have given up trying to explain to semiliterate American editors and sound-bitten television producers why it is laughable to categorize me as a conservative, for the same reason that I long ago gave up attempting to explain to angry bourgeois Jamaicans that I have never been a pro-Castro communist" (p. 11).

Mr. Patterson is quite correct. He is no conservative, and he has enough fatuous leftist views to qualify him for his Harvard chair. But he also makes a number of sensible and illuminating remarks about ethnic problems. These put me in the uncomfortable position of having to praise a sociologist. (Don't worry, I have not gone soft: I haven't forgotten his fatuous remarks.)

The conventional leftist view of the problems of American blacks goes something like this: Owing to the legacy of slavery and segregation, blacks today cannot compete on equal terms with whites. And prejudice is by no means a thing of the past. Blacks constantly encounter discrimination in employment and housing. In view of their desperate circumstances, many in the black underclass turn to crime. As a result the white power structure turns even further against blacks. Blatant acts of prejudice, such as limits to welfare and repeal of affirmative action, become the order of the day.

Patterson finds this picture grossly misleading. Although for the black underclass times are indeed bad, "there is no denying the fact that, in absolute terms, Afro-Americans, on average, are better off now than at any other time in their history.... Afro-Americans are now very much a part of the nation's political life, occupying positions in numbers and importance that go well beyond mere ethnic representation or tokenism.... The enormity of the achievement of the last forty years in American ethnic relations

Mr. Patterson is quite correct. He is no conservative, and he has enough fatuous leftist views to qualify him for his Harvard chair.

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cannot be overstated. For better or worse, the Afro-American presence in American life and thought is today pervasive" (pp.17–18).

"Black presence in culture and politics is fine," we may imagine an outraged liberal responding, "but what about the bottom line, economics? Do not blacks constitute a virtual helot class?"

Not at all, our author replies. "The rise of a genuine Afro-American middle class in recent decades is cause for celebration, although no one is more inclined to belittle the fact than members of the Afro-American establishment itself.... Nearly all sociologists take into account educational and occupational factors when arriving at an estimate of the size of the middle class. My own calculations, using this approach, show that at least 35 percent of Afro-American adult, male workers are solidly middle class. The percentage is roughly the same for adult female workers" (pp. 21–22). Of course, a good deal of this progress stems from government handouts rather than the unhampered operation of what our author terms "the tyranny of the marketplace" (p. 7). But this does not alter the fact that these blacks *are* better off. Leftists cannot then without contradiction continue to urge that programs that aid blacks be continued while they demand yet more programs because they say, almost no blacks have fared well.

But our leftist doomsayers will not go quietly. Is it not the case that the alleged economic achievements of the black middle class collapse when examined closely? Even well-off blacks own much less property than whites of comparable status. Is not Patterson, like Thomas Sowell and Walter Williams, indulging in wishful thinking?

A good deal of this progress stems from government handouts rather than the unhampered operation of what our author terms "the tyranny of the marketplace."

Patterson refuses to retreat. "The difference in asset ownership is important, but this conclusion [that blacks have not really progressed] is grossly overblown and...discredits the hard work, intelligence, and industriousness that middle-class Afro-Americans have put into acquiring the very real status and power they possess" (p. 24).

Our liberal has yet another weapon to wield. (Incidentally, let us give our liberal a name. For Patterson, the political scientist Andrew Hacker, who views blacks

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as hardly better off than concentration-camp inmates, epitomizes the errors and follies of prevailing dogmas on racial relations.) No matter how well the middle class may have fared, what about the underclass? Are not a substantial number of blacks doing very badly?

Patterson does not deny the importance of the underclass: rather, he insists on it. "A little over 29 percent of all Afro-American persons—some 9,873,000 souls—and slightly over a quarter of all Afro-American families were poor as of March 1996.... Afro-American individuals are 26 times more likely to be poor than Euro-Americans" (p. 28).

But these facts, Patterson avers, do not compel us to adopt the liberal claim that poor blacks have been victimized by the white powers-that-be. The chief reason for the deplorable conditions of so high a proportion of blacks is the lack of stable families. Nearly 60 percent of black children live in female-headed households; and when single parenting is combined with poor education and a neighborhood of rampant crime, the result is disastrous.

We may imagine that Hacker and his ilk will say: "Exactly right, Professor Patterson! You confirm to the hilt our position that poor blacks constitute an oppressed nation. Given your own admissions, why do you condemn us?"

We here arrive at the heart of Patterson's case. He readily grants the liberals that poor blacks live in circumstances liable to lead to trouble; but it does not follow that social conditions inevitably determine one's response. To do so denies individual responsibility; and it is only if freedom is insisted on that blacks may hope to rise by their own efforts from the underclass.

Patterson breaks decisively with leftism at its fundamental axiom. Individuals are not the by-products of a social juggernaut but are responsible actors.

Alas, any "Afro-American person who dares to question the deterministic dogma is immediately dismissed as a self-hating Tom and reactionary; any Euro-American person rash enough to do so gets flattened with the twin charges of racism and 'blaming the victim'" (p. 87).

Patterson thus breaks decisively with leftism at its fundamental axiom. Individuals are not the by-products of a social juggernaut but are responsible actors. Patterson does not combine his belief in individual freedom with acceptance of a free-market economy; but he has said quite enough to enrage all leftists in good standing.

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Neither economics nor rational choice theory involves the view that our choices are "foreordained by a rational cosmos," whatever that may mean.

Unfortunately, I cannot close my review with an encomium to Patterson as a defender of liberty. (You didn't expect me to, did you?) Patterson supports freedom. Very good; but on what grounds does he do so? His analysis cannot be termed an unqualified success.

Our author moves the discussion to metaphysics. An argument advanced by Epicurus attracts him: the determinist must claim that his own assertion of determinism results from a causal process, if he is to be consistent. And this is his undoing: "[t]he man who says that all events are necessitated has no ground for criticizing the man who says that not all events are necessitated. For according to him this is a necessitated event."

The argument Mr. Patterson mentions has been much canvassed in the literature, and it is perhaps not quite so decisive as he assumes. But, much to the relief of my readers, I do not propose to join issue with him here. Rather, the problem is that Epicurus's arguments have no bearing on the point about blacks that Patterson wishes to make. For suppose that he is right: universal determinism is self-contradictory and therefore cannot be rationally maintained. It does not follow from this that people are responsible for their social position: Hacker's social determinism is perfectly consistent with Epicurus's point.

What follows from "It is not the case that every event is determined" is "Some events are determined," not "No events are undetermined." Unless leftists base their claim that blacks are locked into poverty on the thesis of universal determinism, they have nothing to fear from Epicurus. (Incidentally, this point does not depend on a "compatibilist" position on free will.)

But this is not the only instance in which Patterson misapprehends a point outside his own discipline of sociology. He has a most peculiar view of economics: "The idea that, in acting rationally, we are doing not only what was foreordained by a rational cosmos, but also doing freely what we want and will to do, even if, at any given moment we foolishly imagine otherwise, is the ancient precursor of modern rational choice and neoclassical economic philosophy" (p. 93). The metaphysics of spontaneous order has replaced stoic philosophy but the Stoics "would have been dumbfounded by the identification of selfish greed with rationality" (p. 93).

Neither economics nor rational choice theory involves the view that our

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choices are "foreordained by a rational cosmos," whatever that may mean. And of course the economist (at least the good Austrian economist) does not identify rationality with selfish greed. I suppose that Mr. Patterson has to spout at least a little nonsense of this sort to confirm his credentials as a sociologist. These errors are no mere niceticies of theory. They manifest Mr. Patterson's deep-seated antipathy to the free market. He favors extensive governmental meddling, including "making work pay" and "housing vouchers" (pp. 184–85). But if Mr. Patterson ends up as a garden variety leftist, he deviates enough from the conventional nonsense on this topic to be worth reading. ◗

THE ROTHBARDIAN TURN OF MIND

The Logic of Action I: Method, Money, and the Austrian School

The Logic of Action II: Applications and Criticism from the Austrian School

Murray N. Rothbard
Edward Elgar, 1997, Vol. I, xviii + 452 pgs.; Vol. II, ix + 416 pgs.

It is both essential and impossible to review these two volumes. Essential, because they include the bulk of the scientific papers written by a great Austrian theorist. But also impossible, because of the incredible variety of topics covered, ranging from the nature of human action to the influence of gnostic thought on Marxism.

As one reads these disparate essays, however, a common quality comes to the fore. Murray Rothbard again and again challenges an assumption that everyone else takes to be obviously true. Once Rothbard poses his question, our view of the relevant topic is at once turned upside down.

Everyone knows that the free market is the most efficient economic system; Milton Friedman *et hoc genus omne* build their defense of the market largely on this consideration. One might expect that Rothbard, second to none as a champion of the market, would join in lauding its efficiency. Instead, he asks a fundamental question: does the concept of efficiency mean anything?

"Let us take a given individual...in order for him to act efficiently, he would have to possess perfect knowledge of the

Murray Rothbard again and again challenges an assumption that everyone else takes to be obviously true.

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What is the operational definition of a concept? If none can be provided, the concept must be eliminated from science.

future. But since no one can ever have perfect knowledge of the future, no one's action can be called 'efficient.' ...[I]f ends change in the course of an action, the concept of efficiency—which can only be defined as the best combination of means in pursuit of given ends—again becomes meaningless" (I, pp. 266–67). And if efficiency can be given no clear characterization for an individual, it fares even worse when the ends of more than one person are considered.

Murray Rothbard viewed the logical positivists with alarm; but as the example just discussed shows, he used with great skill a favorite tactic of theirs. He asks: what is the operational definition of a concept under discussion? If none can be provided, the concept must be eliminated from science.

Another instance of this technique occurs in the essay, "Toward a Reconstruction of Utility and Welfare Economics." Our author will have no truck with James Buchanan's attempt "to designate the State as a voluntary institution. Buchanan's thesis is based on the curious dialectic that majority rule in a democracy is really unanimity because majorities can and do always shift. The resulting pulling and hauling of the political process, because obviously not irreversible, are therefore supposed to yield a social unanimity. The doctrine...must be set down as a lapse into a type of Hegelian mysticism" (I, p. 252).

Rothbard's procedure is a simple one. He asks: what does the voluntary state amount to? And given Buchanan's characterization of it, Rothbard goes on to ask: is this what we ordinarily mean by "voluntary"? As it obviously is not, this conception of the voluntary state cannot stand. (Another instance of the same technique may be found in the search for an operational definition of monopoly price in *Man, Economy, and State.*)

As the same essay illustrates, Rothbard took nothing for granted in ethics. Much of conventional welfare economics rests on the detection of positive externalities. Our author, with his characteristic jump to the essence, inquires, why are positive externalities a social problem?

"A and B decide to pay for the building of a dam for their uses; C benefits though he did not pay.... This is the problem of the Free Rider. Yet it is difficult to understand what the hullabaloo is all about. Am I to be specially taxed because I enjoy the sight of my neighbor's garden without

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What is so terrible about transaction costs? On what basis are they considered the ultimate evil, so that their minimization must override all other considerations of choice, freedom, or justice?

paying for it? A's and B's purchase of a good reveals that *they* are willing to pay for it; if it indirectly benefits C as well, no one is the loser" (I, p. 25).

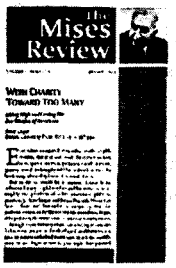
Let us once more pause to grasp the revolution involved in Rothbard's query. Before him economists assumed without much thought that beneficiaries of positive externalities ought to pay for them. Once Rothbard has raised the question, you cannot help but wonder, why should this controversial premise be assumed without argument?

When Robert Nozick made a similar point in *Anarchy, State, and Utopia* (1974), philosophers were quick to take notice. But Rothbard was there long before. (Incidentally, the response that it maximizes efficiency for beneficiaries to pay is blocked by the earlier Rothbardian analysis discussed above.)

In the second volume of this monumental collection, where issues of the application of Austrian theory feature prominently, Murray Rothbard continues his pursuit of the revolutionary question. People have usually looked at an issue in a certain way; but why should we do so?

Thus, an influential approach to welfare economics endeavors to minimize transaction costs. In "The Myth of Neutral Taxation," Rothbard is ready with an iconoclastic query: "What is so terrible about transaction costs? On what basis are they considered the ultimate evil, so that their minimization must override all other considerations of choice, freedom, or justice?" (p. 88). If one responds that reducing these costs has some, though not overriding, importance, Rothbard's question compels one to specify exactly how much, and why, they are to count.

Fortunately for our society, support among economists for the free market is widespread. For almost any government activity, you can find an economist to argue that the market will provide the



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Rothbard, in philosophy as elsewhere, insisted on clear definitions: without this, nonsense inevitably ensues.

service in a better fashion. Yet who but Rothbard would think to ask, why should the government be allowed to collect information?

He makes a simple and devastating point: absent statistical data, the government could not interfere with the economy. "[S]tatistics are, in a crucial sense, critical to all interventionist and socialistic activities of government.... Statistics are the eyes and ears of the bureaucrat, the politician, the socialistic reformer. Only by statistics can they know, or at least have any idea about, what is going on in the economy.... Cut off those eyes and ears, destroy those crucial guidelines to knowledge, and the whole threat of government intervention is almost completely eliminated" (II, pp. 182-83).

As you might expect, my favorite section of the volumes is "Criticism," in which Rothbard annihilates adversaries in unique fashion. Again, he always grasps the essential.

As an example, deconstructionists claim that texts lack a fixed meaning. The apparent meaning of a text is always accompanied by countervailing patterns. A reader must then "deconstruct" a text rather than take it to have coherent sense. Rothbard raises the key point: why bother? "If we cannot understand the meaning of any texts, why are we bothering with trying to understand or to take seriously the works or doctrines of authors who aggressively proclaim their own incomprehensibility?" (II, p. 277).

Rothbard, in philosophy as elsewhere, insisted on clear definitions: without this, nonsense inevitably ensues. He found a prime instance of philosophical nonsense in what he termed "reabsorption theology." He maintained that this bizarre view lies at the heart of both Hegelianism and Marxism.

I cannot do better than to end with Rothbard's hilarious account of the reabsorption doctrine. "Stage One is the original state of the pre-creation cosmic blob, with man and God in happy and harmonious unity, but each rather undeveloped. Then, the magic dialectic does its work, Stage Two occurs, and God creates man and the universe. But then, finally, when the development of man and God is completed, Stage Two creates its own *aufhebung*, its transcendence into its opposite or negation: in short, Stage Three, the reunion of God and man in a 'ecstasy of union' and the end of history" (II, p. 340).

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After you read about the "cosmic blob" it is difficult to take Hegel and Marx entirely seriously. And this, I suspect, is exactly the effect Rothbard wished to achieve.

THE LEFT'S FAVORITE KILLER

Drawing Life: Surviving the Unabomber

David Gelernter
The Free Press, 1997, viii + 158 pgs.

Much of this moving book lies outside the scope of *The Mises Review*. The Unabomber selected Mr. Gelernter as a target; and in June 1993, a package exploded in his office at Yale University. The blast seriously injured him, and he barely escaped bleeding to death. The book describes in detail the author's stay in the hospital, his slow recovery, and his thoughts about his assailant. I think it fair to say that he does not view the Unabomber with favor.

In the course of his account, Mr. Gelernter sketches a notable theory of American intellectuals. He was led to his account by the reluctance of many people to condemn terrorism resolutely. "When you are trying to figure out how a society thinks and feels, words are the surest route to the truth. In recent years we have gotten into the habit of using 'judgmental' as a pejorative" (p. 10). Unlike an era Mr. Gerlernter loves, the 1930s, when the battle against crime was seen as a struggle between good and evil, in today's America murder and mayhem are often viewed with detachment.

What has led to the change? Our author places much of the blame on intellectuals at elite colleges. Before 1965, and especially before World War II, these colleges were in part "finishing schools" in which the future leaders of society were trained.

Since the 1960s, matters have been quite different. A new breed of detached intellectuals controls the elite schools. "'Don't be judgmental' is a perversity that originates, I believe, with intellectuals.... It's hardly surprising that intellectuals should oppose the making of judgments. In their world tolerance is a cardinal virtue. In fact it comes pretty close to being the only virtue" (p. 62). Mr. Gelernter's theory is intriguing, but is his initial premise sound? Are we indifferent to terrorism? Agree with him or not, Mr. Gelernter has given us much to ponder.

"Don't be judgmental" is a perversity that originates, I believe, with intellectuals.

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AUSTRIAN INFLUENCE

A History of the American People

Paul Johnson
Harper Collins, 1997, pp. 727–46

CHAPTERS:

"Government Credit-Management and the Wall Street Crash"

"Why the Depression Was So Deep and Long-Lasting"

"The Failure of the Great Engineer"

I hope to review Mr. Johnson's massive work in the next issue of *The Mises Review*; but I cannot resist calling attention at once to the brief and brilliant section on the 1929 Depression.

Johnson, a world-renowned journalist and popular historian, adopts a thoroughly Rothbardian account of the onset of the Depression. Like Rothbard, he finds the source of the collapse in irresponsible credit expansion. "[D]uring the 1920s the United States, in conjunction with British and other leading industrial and financial powers, tried to keep the world prosperous by deliberately inflating the money supply" (p. 727).

The currency management was led by Benjamin Strong of the New York Federal Reserve Bank and Montagu Norman of the Bank of England, under the influence of John Maynard Keynes. "In fact Keynes's *Tract* [on Monetary Reform], advocating 'managed currency' and a stabilized price-level, both involving constant government interference, coordinated internationally, was part of the problem" (p.729).

The market crash of 1929 "ought to have been welcome.... Business downturns serve essential purposes. They have to be sharp. But they need not be long because they are self-adjusting" (pp.734–35). Unfortunately, Herbert Hoover did not realize this essential truth. Far from being a supporter of laissez-faire, he was an ardent interventionist whose policies impeded recovery. "Hoover was a social engineer. Roosevelt was a social psychologist. But neither understood the Depression, or how to cure it" (p. 736).

Like Rothbard, Johnson finds the source of the collapse in irresponsible credit expansion during the 1920s.

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Rothbardian influence is evident. Johnson scrupulously cites Rothbard's works several times.

Again, the Rothbardian influence is evident. Johnson scrupulously cites Rothbard's works several times (pp. 1033–35).

DID HAYEK WRITE HIS LAST BOOK?

"What's Wrong with Libertarianism"

Jeffrey Friedman
Critical Review 11, no. 3 (Summer 1997), pp. 407–67

At last Jeffrey Friedman has said something interesting! One footnote in this ponderous mélange discloses important information. Friedrich Hayek, according to Friedman, did not write his last book, *The Fatal Conceit*. The book was "apparently" written by the book's editor, W.W. Bartley, III. There was "little noticeable input from Hayek, who was mortally ill. What Bartley characterized as confused and mostly unusable notes and passages by Hayek, some of which ended up in the book's Appendices, apparently served as the basis of Bartley's efforts to complete a manuscript: the products of Bartley's labors were allegedly reviewed by Hayek" (p. 463, n. 9).

Mr. Friedman, who in 1986 worked as Bartley's research assistant, doubts that Hayek exercised much supervision. Passages that Friedman composed about Foucault, Marcuse, and Habermas appear verbatim in the book's text. Surely Friedman is right that a mentally alert Hayek would not have adopted Friedman's work unchanged as his own. Friedman suspects that "Hayek may never even have seen these words, although they were published under his name" (p. 463).

If Friedman's claim is right—a matter that requires further investigation—it is ironic that Bartley himself discounted Karl Marx's *Economic Philosophical Manuscripts of 1844* on the grounds that these were jottings and notes pieced together by editors.

Surely the author is right that a mentally alert Hayek would not have adopted Jeffrey Friedman's work unchanged as his own.

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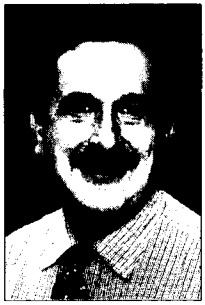
David Gordon, who writes *The Mises Review*, is a senior fellow at the Ludwig von Mises Institute. He was educated at UCLA, where he earned his PhD in intellectual history, and is the author of *Resurrecting Marx: The Analytical Marxists on Exploitation, Freedom, and Justice*; *The Philosophical Origins of Austrian Economics;* and *Critics of Marx*. He is also editor of *Secession, State, and Liberty* and co-editor of H.B. Acton's *Morals of Markets and Other Essays*. Dr. Gordon is a contributor to such journals as *Analysis*, *The International Philosophic Quarterly*, *The Journal of Libertarian Studies*, and *The Quarterly Journal of Austrian Economics*.



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